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CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Basic Financial Statements and
Required Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

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Independent Auditors' Report

The Board of Electric Commissioners
City of Burlington, Vermont:

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the City of Burlington, Vermont Electric Department (the Department), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Department, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

Reporting Entity

As discussed in Note 1, the basic financial statements of the Department are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Burlington, Vermont, as of June 30, 2022 or 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Principle

As discussed in Note 1(v) to the basic financial statements, in 2022, the Department has elected to change its method of accounting for costs associated with compliance with Vermont Renewable Energy Standard requirements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Colchester, Vermont
November 10, 2022

This section of the City of Burlington, Vermont Electric Department's ("the Department") annual financial report presents a discussion and analysis of the Department's financial performance during the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with the Department's financial statements, which follow this section.

Overview of the Financial Statements

The financial section of this report consists of three parts: management's discussion and analysis (this section), the financial statements, which provide both long-term and short-term information about the Department's overall financial status, and the notes to the financial statements, which explain some of the information in the financial statements and provide more detailed data.

The Department's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental proprietary (enterprise) and fiduciary (custodial) funds and employ the economic resources measurement focus and the accrual basis of accounting. The Department follows GAAP for external financial reporting and is subject, as to rates, accounting, and other matters, to the regulatory authority of the State of Vermont Public Utility Commission (PUC) and the Federal Energy Regulatory Commission (FERC). In accordance with FASB ASC Topic 980, *Regulated Operations*, the Department records certain assets and liabilities in accordance with the economic effects of the rate-making process.

Unless otherwise noted, the remainder of management's discussion and analysis will focus on the Department's proprietary (enterprise) activities.

Financial Highlights

June 30, 2022

- Operating income was $1,917,694, an increase of $1,887,757 or 6,306% from the operating income in 2021.
- Sales to Customers were $48,494,645 an increase of $3,672,046 or 8% from 2021.
- Other Revenues (primarily sales of renewable energy credits) were $11,119,071, a decrease of $172,838 or 1.5% below 2021.
- Total operating expenses were $57,552,924, an increase of $1,555,413 or 2.8% from 2021.
- Total net position was $63,172,733, an increase of $1,938,039 or 3.2% above 2021.
- Total capital assets (net of depreciation) were $93,900,912, an increase of $51,680 or 0.1% above 2021.
- The McNeil Generating Station capacity factor for fiscal year 2022 was 56% compared to 62% in 2021, supplying 121,695 MWH and 135,169 MWH, respectively, of energy production to the Department.

June 30, 2021

- Operating income was $29,937, an increase of $1,011,340 or 103% from the operating loss in 2020.
- Sales to Customers were $44,822,599, an increase of $122,127 or 0.27% from 2020.
- Other Revenues (primarily sales of renewable energy credits) were $11,291,909, an increase of $259,471 or 2% above 2020.

- Total operating expenses were $55,997,511, a decrease of $570,638 or 1.01% from 2020.
- Total net position was $61,234,694, an increase of $441,481 or 0.73% above 2020.
- Total capital assets (net of depreciation) were $93,849,232, a decrease of $741,776 or 0.01% below 2020.
- The McNeil Generating Station capacity factor for fiscal year 2021 was 62% compared to 55% in 2020, supplying 135,169 MWH and 119,665 MWH, respectively, of energy production to the Department.

Financial Analysis of the Department

Net Position

The following summarizes the Department's overall financial position as of June 30, 2022, 2021, and 2020:

		2022	2021	2020	Percentage change 2021–2022	Percentage change 2020–2021	
Current assets – unrestricted	$	26,731,563	24,372,837	25,209,316	9.7 %	(3.3)%	(A)
Restricted assets		25,881,220	5,681,559	5,849,418	355.5	(2.9)	(B)
Capital assets, net		93,900,912	93,849,232	94,591,008	0.1	(0.8)	
Other noncurrent assets		39,276,787	36,767,291	35,300,371	6.8	4.2	(C)
Total assets	$	185,790,482	160,670,919	160,950,113	15.6 %	(0.2)%	
Deferred outflows of resources	$	3,738,188	4,065,163	2,952,322	(8.0)%	37.7 %	(D)
Current liabilities	$	12,453,689	9,687,818	9,389,148	28.5 %	3.2 %	(E)
Current liabilities payable from restricted assets		376,569	407,594	438,438	(7.6)	(7.0)	
Other noncurrent liabilities		2,683,241	1,460,187	1,413,318	83.8	3.3	
Net OPEB liability		909,836	1,054,323	1,000,516	(13.7)	5.4	
Net pension liability		11,606,188	17,414,582	15,004,757	(33.4)	16.1	(F)
Long-term debt, net		85,675,359	66,921,910	69,399,185	28.0	(3.6)	(G)
Total liabilities	$	113,704,882	96,946,414	96,645,362	17.3 %	0.3 %	
Deferred inflows of resources	$	12,651,055	6,554,974	6,463,860	93.0 %	1.4 %	
Net position:							
Net investment in capital assets	$	40,686,130	39,742,036	39,652,482	2.4 %	0.2 %	
Restricted		6,300,800	5,273,965	5,410,980	19.5	(2.5)	
Unrestricted		16,185,803	16,218,693	15,729,751	(0.2)	3.1	
Total net position	$	63,172,733	61,234,694	60,793,213	3.2 %	0.7 %	

(A) Current assets (unrestricted) at June 30, 2022 were $26,731,563, an increase of $2,358,726 compared to June 30, 2021 primarily due to an increase in cash resulting from increased sales to customers following a 7.95% rate increase effective August 1, 2021 and sales of the Department's excess energy (purchased power owned or under contract in excess of the Department's load) during the high-priced winter of 2021-2022. Current assets (unrestricted) at June 30, 2021 were $24,372,837, a decrease of $836,479 compared to June 30, 2020 primarily due to an decrease in cash resulting from decreased customer receipts and capital contributions in FY2021 due largely to the COVID-19 pandemic (COVID-19).

(B) Restricted assets at June 30, 2022 were $25,881,220, an increase of $20,199,661 compared to June 30, 2021 primarily due to the issuance of $18,045,000 in Electric System Revenue Bond (Series 2022A). The Series 2022A bond proceeds are being held in an investment account (Construction Fund) until they are used for the bond's intended purpose. The change from 2020 to 2021 was $5,681,559, a decrease of $167,859 compared to June 30, 2020 due to a decrease in deposits with bond trustees due to withdrawals from the Renewal & Replacement Fund.

(C) Other noncurrent assets at June 30, 2022 were $39,276,787, an increase of $2,509,496 compared to June 30, 2021 due primarily to a change in accounting policy to establish inventory assets for the Department's holdings of Tier 1 Renewable Energy Credits ("RECs") and Tier 3 credits eligible for compliance with Vermont's Renewable Energy Standard ("RES").

Other noncurrent assets at June 30, 2021 were $36,767,291, an increase of $1,466,920 compared to June 30, 2020 due primarily to a change in accounting policy to establish inventory assets for the Department's holdings of Tier 1 RECs eligible for compliance with Vermont's Renewable Energy Standard and an increase in equity interests in associated companies Vermont Electric Power Company, Inc. ("VELCO") and Vermont Transco LLC ("Transco").

(D) Deferred outflows at June 30, 2022 were $3,738,188, a decrease of $326,975 compared to June 30, 2021 due to a decrease in the deferred pension contribution caused by a decrease in the difference between actual and projected investment earnings. Deferred outflows at June 30, 2021 were $4,065,163, an increase of $1,112,841 compared to June 30, 2020 due to an increase in the deferred pension contribution caused by an increase in payment after the measurement date, increases in the difference between the projected and actual pension plan experience, and increases in the difference between actual and projected investment earnings offset by changes in assumptions related to inflation, salary increases, and the discount rate.

(E) Current liabilities at June 30, 2022 were $12,453,689, an increase of $2,765,871 compared to June 30, 2021 due primarily to increases in accounts payable due to an increase in REC purchase payables and other current liabilities. Current liabilities at June 30, 2021 were $9,687,818, an increase of $298,670 compared to June 30, 2020 due primarily to increases in current maturities of debt, accounts payable, and other current liabilities.

(F) The net pension liability at June 30, 2022 was $11,606,188, a decrease of $5,808,394 compared to 2021 due to pension expense, decreases in the difference between the projected and actual plan experience and investment earnings, and changes in assumptions related to inflation and salary increases, offset by pension contributions. See note 8 – Retirement Benefits.

The net pension liability at June 30, 2021 was $17,414,582, an increase of $2,409,825 compared to 2020 due to pension expense, increases in the difference between the projected and actual plan experience, investment earnings, and changes in assumptions related to inflation and salary increases, offset by pension contributions. See note 8 – Retirement Benefits.

(G) Long-term debt, net at June 30, 2022 was $85,675,359, an increase of $18,753,449 compared to June 30, 2021 due to issuance of Electric System Revenue Bond Series 2022A in the amount of $18,045,000. Long-term debt, net at June 30, 2021 was $66,921,910, a decrease of $2,477,275 compared to June 30, 2020 in accordance with current maturities schedules.

Changes in Net Position

A summary of changes in net position for the fiscal years ended June 30, 2022, 2021 and 2020 follows:

	2022	2021	2020	Percentage change 2021–2022	Percentage change 2020–2021	
Operating revenues:						
Sales to ultimate customers	$ 48,494,645	44,822,599	44,700,472	8.2 %	0.3 %	(A)
Other revenues	11,119,071	11,291,909	11,032,438	(1.5)	2.4	(B)
Less provision for uncollectible accounts	(143,098)	(87,060)	(146,164)	64.4	(40.4)	
Total operating revenues, net	59,470,618	56,027,448	55,586,746	6.1	0.8	

	2022	2021	2020	Percentage change 2021–2022	Percentage change 2020–2021	
Operating expenses:						
Production	$ 11,329,585	10,891,484	9,954,532	4.0 %	9.4 %	(C)
Purchased power	14,745,060	14,762,501	16,859,364	(0.1)	(12.4)	(D)
Other power supply expenses	1,645,104	1,420,639	1,398,112	15.8	1.6	(D)
Transmission	8,918,774	8,049,248	7,903,348	10.8	1.8	(D)
Distribution	3,352,809	3,501,169	3,568,667	(4.2)	(1.9)	(E)
Customer accounting and service	5,924,783	5,326,122	5,392,829	11.2	(1.2)	(F)
Administration and general	4,555,018	5,714,889	5,364,728	(20.3)	6.5	(G)
Depreciation and amortization	6,048,674	5,330,061	5,142,237	13.5	3.7	(H)
Taxes	1,033,117	1,001,398	984,332	3.2	1.7	
Total operating expenses	57,552,924	55,997,511	56,568,149	2.8	(1.0)	
Operating income (loss)	1,917,694	29,937	(981,403)	6,305.8 %	(103.1)%	
Other income (expense):						
Dividend income	4,335,722	4,326,608	4,268,944	0.2 %	1.4 %	
Interest income	84,678	82,765	221,362	2.3	(62.6)	
Loss on sale of capital assets	(256,663)	(248,260)	(289,526)	3.4	(14.3)	(I)
Grants and other income	(3,153)	754,406	24,164	(100.4)	3,022.0	
Total other income	4,160,584	4,915,519	4,224,944	(15.4)	16.3	
Total finance charges	(2,305,770)	(2,455,482)	(2,581,344)	(6.1)	(4.9)	
Income before transfers and capital contributions	3,772,508	2,489,974	662,197	51.5	276.0	
Transfers to the City for payment:						
In lieu of taxes	(2,274,239)	(2,696,171)	(2,602,202)	(15.6)	3.6	
Income (loss) before capital contributions	1,498,269	(206,197)	(1,940,005)	(826.6)	(89.4)	
Capital contributions	439,770	647,678	968,295	(32.1)	(33.1)	
Change in net position	1,938,039	441,481	(971,710)	339.0	(145.4)	
Net position at beginning of year	61,234,694	60,793,213	61,764,923	0.7	(1.6)	
Net position at end of year	$ 63,172,733	61,234,694	60,793,213	3.2 %	0.7 %	

(A) Sales to ultimate customers in 2022 of $48,494,645 increased by $3,672,046 compared to 2021. 2022 reflected a 7.5% increase in rates effective August 1, 2021. The usage in 2022 continued to be affected by the COVID-19 pandemic. The Department experienced a decrease in commercial sales, partially offset by increased residential sales.

(B) Other operating revenues for 2022 of $11,119,071 decreased by $172,838 compared to 2021, due to lower production of wind RECs and a slight reduction in the price of McNeil RECs, partially offset by increased McNeil REC production. Other operating revenues for 2021 of $11,291,909 increased by $259,471 compared to 2020, due to an increase in the quantity and average price of Renewable Energy Credits ("RECs"). This is partially offset by a decrease in transmission revenue due to the sale of the Highgate asset.

(C) Production expense for 2022 of $11,329,585 increased by $438,101 compared to 2021, due to increased operations and maintenance expense at the McNeil Generating Station and the Gas Turbine. Production expense for 2021 of $10,891,484 increased by $936,952 compared to 2020, due to increased operations and maintenance expense at the McNeil Generating Station and the Gas Turbine driven in part by increased generation.

(D) Purchased power costs for 2022 of $14,745,060 decreased by $17,441 compared to 2021. Increases in purchase cost of RECs for compliance with Vermont's RES, price and energy deliveries associated with the Vermont Wind contract, and price associated with the Hydro Quebec contract were offset by reduced Independent System Operator-New England ("ISO-NE") capacity prices, reduced price and energy deliveries associated with the Hancock Wind contract, and increased price associated with sales of excess energy to ISO-NE.

Purchased power costs for 2021 of $14,762,501, decreased by $2,096,863 compared to 2020. Significant drivers included reduced ISO-NE capacity prices, reduced price and energy deliveries associated with the Hancock Wind contract, and increased sales of excess energy to ISO-NE, offset by the cost associated with an increased volume of energy from Hydro Quebec.

Other power supply expenses are based on ISO-NE administration charges for each of the comparative periods.

Transmission costs for 2022 of $8,918,774 increased by $869,526 compared to 2021 primarily due to increased ISO-NE transmission rates for Regional Network Service and increased New York Power Authority transmission rates, partially offset by decreased VELCO transmission charges. Transmission costs for 2021 of $8,049,248 increased by $145,900 compared to 2020 primarily due to increased ISO-NE transmission rates for Regional Network Service, partially offset by decreased VELCO transmission charges.

(E) Distribution expense for 2022 of $3,352,809 decreased by $148,360 compared to 2021 primarily due to decreased meter operation and underground line maintenance expenses. Distribution expense for 2021 of $3,501,169 was in line with 2020. The Department experienced an increase in labor and overheads related to less time spent on capital work due to COVID-19 and obtained approval from the PUC to record a regulatory asset of $231,768 to offset the income statement impact.

(F) Customer accounting, service, and sales expense for 2022 of $5,924,783 increased by $589,661 compared to 2021 due primarily to increases in meter and customer records software expenses offset by a change in accounting treatment for costs associated with Vermont RES Tier 3 strategic electrification programs. Customer accounting, service, and sales expense for 2021 of $5,326,122 decreased by $66,707

(Continued)

compared to 2020 due primarily to a change in accounting treatment for costs associated with Vermont RES Tier 3 strategic electrification programs.

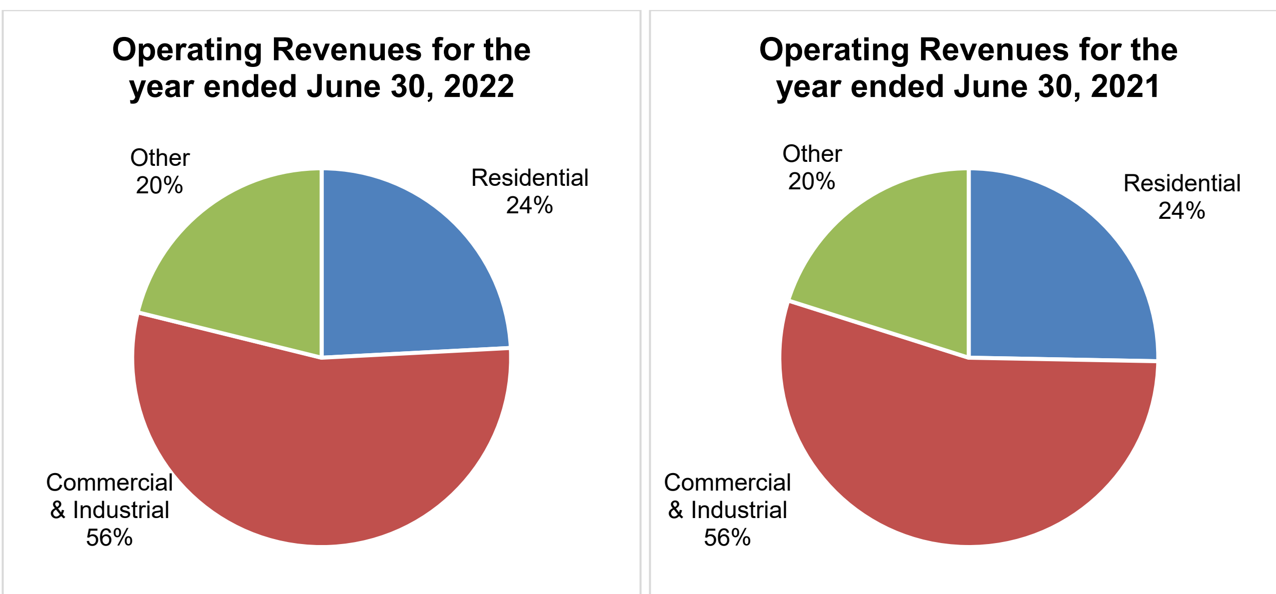
(G) Administrative and general expense for 2022 of $4,555,018 decreased by $1,159,871 compared to 2021 due to decreases in pension and benefits costs offset by increased financial services expenses. Administrative and general expense for 2021 of $5,714,889 increased by $350,161 compared to 2020 due to an increase in salaries, pension and benefit, and property insurance costs offset by decreased outside services expenses.

(H) Depreciation and amortization, including deferred depreciation expense, for 2022 of $6,048,674 increased by $718,613 compared to 2021 primarily due to increased distribution plant depreciation expense and a reduction in the adjustment to straight-line depreciation. Depreciation and amortization, including deferred depreciation expense, for 2021 of $5,330,061 increased by $187,824 compared to 2020.

(I) Loss on sale of capital assets in 2022 of $256,663 was $8,403 more than in 2021. Loss on sale of capital assets in 2021 of $248,260 was $41,266 less than in 2020 due to the sale of the Department's 7.7% percent ownership interest in the Highgate Transmission Plant in 2020.

Revenue

The following charts show the major sources of operating revenues for the years ended June 30, 2022 and 2021:



Long-Term Debt – Revenue and General Obligation Bonds

The following table summarizes long-term debt related to revenue and general obligation bonds for the years ended June 30, 2022, 2021 and 2020:

		2022	2021	2020
Revenue bonds, net of current installments	$	38,514,236	19,045,601	20,898,012
General obligation bonds, net of current installments		47,161,123	47,876,309	48,501,173
Total bonds, net	$	85,675,359	66,921,910	69,399,185

During the fiscal year ended June 30, 2022, the Department, through the City of Burlington, issued $18,045,000 in new Electric System Revenue Bonds, 2022 Series A with an average coupon rate of 5.00% for the purpose of funding capital improvements to the Department's distribution and renewable generation plants, information technology systems, and electric vehicle charging infrastructure.

During the fiscal year ended June 30, 2022, the Department, through the City of Burlington, entered into a $3,000,000, Series 2021, general obligation bond anticipation note bearing interest at the fixed rate of 0.44%. The Department, through the City of Burlington, also issued $2,625,000 in general obligation bonds, Series 2021A, with an average coupon rate of 3.45%. These bonds were issued for use during fiscal year 2022 in accordance with the City Charter to cover annual capital improvements to the electric infrastructure of the Department.

During the fiscal year ended June 30, 2021, the Department, through the City of Burlington, entered into a $3,000,000, Series 2020, general obligation bond anticipation note bearing interest at the fixed rate of 0.72%.

During the fiscal year ended June 30, 2020, the Department, through the City of Burlington, issued $3,000,000 in general obligation bonds, 2019 Series A, with an average coupon rate of 5.00%. These bonds were issued for use during fiscal year 2020 in accordance with the City Charter to cover annual capital improvements to the electric infrastructure of the Department. The Department, through the City of Burlington issued $8,130,000 in general obligation bonds, 2019 Series C, with an average coupon rate of 2.44%. These bonds were issued for the purpose of providing funds, together with other available funds, for the refunding of the maturities of prior bonds: Series 2011A, Series 2011B, Series 2012A, Series 2013B, and Series 2015A.

(Continued)

Capital Assets

The following chart summarizes capital assets and accumulated depreciation for the years ended June 30, 2022, 2021, and 2020:

		2022	2021	2020
Capital assets	$	201,769,918	199,431,817	195,680,462
Accumulated depreciation/amortization		107,869,006	105,582,585	101,089,454
Net capital assets	$	93,900,912	93,849,232	94,591,008

Capital assets are stated at historical cost and include assets related to land, production plant, transmission plant, distribution plant, general plant, and other plant. Capital assets also include the Department's ownership interest in the following jointly owned facilities:

	2022	2021	2020
McNeil Generating Station	50.0 %	50.0 %	50.0 %

During 2022, net capital assets increased $51,680 from 2021. Net capital asset additions amounted to $2,338,100 which included improvements to production plant, distribution and system upgrades. These capital asset additions were offset by depreciation expense of $4,798,206 and retired plant assets with a net carrying value of $3,003,693.

During 2021, net capital assets decreased $741,776 from 2020. Net capital asset additions amounted to $3,751,355 which included improvements to production plant, distribution and system upgrades. These capital asset additions were offset by depreciation expense of $5,296,419 and retired plant assets with a net carrying value of $803,288.

Requests for Information

This financial report is intended to provide an overview of the finances of the Department for those with an interest in this organization. Questions concerning any information contained in this report may be directed to Emily Stebbins-Wheelock, CFO and Manager of Strategy & Innovation.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Net Position – Proprietary (Enterprise) Fund

June 30, 2022 and 2021

Assets and Deferred Outflows of Resources		2022	(Restated) 2021
Capital assets, net	$	93,900,912	93,849,232
Current assets:			
Cash and cash equivalents		12,257,496	9,859,988
Restricted investments – deposits with bond trustees and accrued interest receivable		376,569	407,594
Accounts receivable, net of allowance for uncollectible accounts of $159,811 and $126,500, respectively		4,788,084	4,842,696
Unbilled revenues		2,121,852	2,180,335
Fuel and materials inventory, at average cost		6,000,306	5,856,513
Other		1,563,825	1,633,305
Total current assets		27,108,132	24,780,431
Noncurrent assets:			
Restricted investments – deposits with bond trustees		25,504,651	5,273,965
Regulatory assets		1,833,710	1,615,892
RES inventory		1,944,355	484,553
Equity interests in associated companies		34,666,846	34,666,846
Other noncurrent assets		831,876	—
Total noncurrent assets		64,781,438	42,041,256
Total assets		185,790,482	160,670,919
Deferred outflows of resources:			
Loss on advanced refunding		338,070	379,112
Pension amounts		3,151,949	3,491,544
OPEB amounts		248,169	194,507
Total deferred outflows of resources		3,738,188	4,065,163

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Net Position – Proprietary (Enterprise) Fund

June 30, 2022 and 2021

Liabilities and Deferred Inflows of Resources		2022	(Restated) 2021
Liabilities:			
Current liabilities:			
Current installments of long-term debt:			
Revenue bonds	$	1,850,000	1,810,000
General obligation debt of the City of Burlington		3,575,000	3,420,000
Accounts payable		4,864,424	2,922,531
Other current liabilities		2,164,265	1,535,287
Liabilities payable from restricted assets – deposits with bond trustees		376,569	407,594
Total current liabilities		12,830,258	10,095,412
Noncurrent liabilities:			
Long-term debt:			
Revenue bonds		38,514,236	19,045,601
General obligation debt of the City of Burlington		47,161,123	47,876,309
Other noncurrent liabilities		2,683,241	1,460,187
Net pension liability		11,606,188	17,414,582
Other post-employment benefits		909,836	1,054,323
Total noncurrent liabilities		100,874,624	86,851,002
Total liabilities		113,704,882	96,946,414
Deferred inflows of resources:			
Pension amounts		6,337,356	1,262,401
OPEB amounts		653,384	434,669
Regulatory deferral		5,660,315	4,857,904
Total deferred inflows of resources		12,651,055	6,554,974
Net Position			
Net position:			
Net investment in capital assets		40,686,130	39,742,036
Restricted:			
Deposits with bond trustees		6,300,800	5,273,965
Unrestricted		16,185,803	16,218,693
Total net position	$	63,172,733	61,234,694

See accompanying notes to financial statements.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Revenues, Expenses, and Changes in Net Position – Proprietary (Enterprise) Fund

Years ended June 30, 2022 and 2021

	2022	(Restated) 2021
Operating revenues:		
Sales to ultimate customers	$ 48,494,645	44,822,599
Other revenues	11,119,071	11,291,909
	59,613,716	56,114,508
Less provision for uncollectible accounts	143,098	87,060
Total operating revenues, net	59,470,618	56,027,448
Operating expenses:		
Production	11,329,585	10,891,484
Purchased power	14,745,060	14,762,501
Other power supply expenses	1,645,104	1,420,639
Transmission	8,918,774	8,049,248
Distribution	3,352,809	3,501,169
Customer accounting, service, and sales	5,924,783	5,326,122
Administrative and general	4,555,018	5,714,889
Depreciation and amortization	6,048,674	5,330,061
Taxes	1,033,117	1,001,398
Total operating expenses	57,552,924	55,997,511
Operating income	1,917,694	29,937
Nonoperating revenue (expenses):		
Dividends from associated companies	4,335,722	4,326,608
Interest income	84,678	82,765
Grant income	139,892	669,905
Other income, net	40,320	84,501
Unrealized loss on investment	(183,365)	—
Interest and amortization on long-term debt	(2,305,770)	(2,455,482)
Loss on sale of capital assets	(256,663)	(248,260)
Total nonoperating revenue	1,854,814	2,460,037
Income before transfers and capital contributions	3,772,508	2,489,974
Transfers to the City of Burlington for payment in lieu of taxes	(2,274,239)	(2,696,171)
Gain (loss) before capital contributions	1,498,269	(206,197)
Capital contributions	439,770	647,678
Increase in net position	1,938,039	441,481
Net position at beginning of year, as restated (note 1(v))	61,234,694	60,793,213
Net position at end of year	$ 63,172,733	61,234,694

See accompanying notes to financial statements.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Cash Flows – Proprietary (Enterprise) Fund

Years ended June 30, 2022 and 2021

	2022	(Restated) 2021
Cash flows from operating activities:		
Receipts:		
From ultimate customers	$ 49,026,216	44,156,595
Miscellaneous electric revenues and rent of electric property	10,667,283	11,384,177
Payments made for:		
Purchased power	(14,862,432)	(14,768,976)
Power production expense	(12,713,591)	(12,404,563)
Transmission expense	(8,918,774)	(8,049,248)
Distribution expense	(3,905,408)	(3,233,488)
Customer accounts and service expense	(6,447,983)	(5,890,004)
Administration and general expense	(3,491,823)	(4,530,782)
General taxes	(737,274)	(993,337)
Net cash provided by operating activities	8,616,214	5,670,374
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(5,554,606)	(4,802,903)
Capital contributions	439,770	647,678
Proceeds from bond premium	3,640,554	—
Principal paid on outstanding debt	(5,230,000)	(5,035,000)
Proceeds from new debt issuance	21,045,000	3,000,000
Interest paid on outstanding debt	(2,568,742)	(2,691,219)
Net cash provided by (used in) capital and related financing activities	11,771,976	(8,881,444)
Cash flows from noncapital financing activities:		
Amounts paid in lieu of taxes	(2,274,239)	(2,696,171)
Energy efficiency utility	139,892	669,905
Other income	40,320	84,501
Net cash used in noncapital financing activities	(2,094,027)	(1,941,765)
Cash flows from investing activities:		
Purchase of investments	(23,238,034)	(3,116,479)
Sale of investments	2,855,002	3,284,338
Purchase of equity interest in associated companies	—	(1,074,380)
Interest and dividends on investments	4,486,377	4,302,877
Net cash used in (provided by) investing activities	(15,896,655)	3,396,356
Net increase (decrease) in cash and cash equivalents	2,397,508	(1,756,479)
Cash and cash equivalents at beginning of year	9,859,988	11,616,467
Cash and cash equivalents at end of year	$ 12,257,496	9,859,988
Reconciliation of cash from operating activities:		
Cash flows from operating activities:		
Operating income	$ 1,917,694	29,937
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	4,374,401	4,812,008
Deferred depreciation expense realized in current year	907,849	208,298
Deferred projects amortization	509,963	484,410
Changes in assets and liabilities:		
Change in accounts receivable	54,611	(508,711)
Change in fuel and materials inventory	(143,793)	(131,107)
Change in unbilled revenues	58,483	(74,027)
Change in other deferred charges	(217,818)	(16,828)
Change in other current assets	3,504	(99,658)
Change in REC inventory	(1,459,802)	(484,553)
Change in other noncurrent assets	(831,876)	—
Change in accounts payable	1,941,893	57,706
Change in other current liabilities	651,329	45,964
Change in net deferred inflow/outflow pension liability	(393,844)	1,250,067
Change in net deferred inflow/outflow OPEB liability	20,566	49,999
Change in other noncurrent liabilities	1,223,054	46,869
Net cash provided by operating activities	$ 8,616,214	5,670,374

See accompanying notes to financial statements.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Net Position – Fiduciary (Custodial) Fund

June 30, 2022 and 2021

		2022	2021
Assets:			
Cash	$	3,706,742	3,271,600
Accounts receivable		296,862	314,806
Total assets		4,003,604	3,586,406
Liabilities:			
Accounts payable		311,443	267,339
Gross revenue taxes payable		5,830	6,871
Fuel taxes payable		897	1,133
Total liabilities		318,170	275,343
Net position restricted for Energy Efficiency Utility programs	$	3,685,434	3,311,063

See accompanying notes to financial statements.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Changes in Net Position – Fiduciary (Custodial) Fund

June 30, 2022 and 2021

		2022	2021
Additions:			
EEC collections from customers	$	2,536,076	2,701,378
Forward Capacity Market		411,587	379,217
Regional Greenhouse Gas Initiative		340,999	221,742
Total additions		3,288,662	3,302,337
Deductions:			
Payments for programs		2,537,487	2,513,812
Payments for administration		334,660	371,078
EEC uncollectible return		16,141	15,189
Gross revenue taxes		13,323	14,182
Fuel taxes		12,680	13,507
Total deductions		2,914,291	2,927,768
Change in net position		374,371	374,569
Net position at beginning of year		3,311,063	2,936,494
Net position at end of year	$	3,685,434	3,311,063

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The City of Burlington, Vermont Electric Department ("the Department") is an enterprise fund of the City of Burlington, Vermont ("the City"). The City has overall financial accountability for the Department, its Council appoints the Commissioners of the Department who oversee its operations, and the City collateralizes the Department's general obligation debt. The Department is also subject as to rates, accounting, and other matters, to the regulatory authority of the State of Vermont Public Utilities Commission ("PUC") and the Federal Energy Regulatory Commission ("FERC"). In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989 FASB and AICPA Pronouncements as amended*, the Department records certain assets and deferred inflows of resources in accordance with the economic effects of the rate making process.

The Department has been offering demand-side management programs since 1989. Effective 1999 the Department became an Energy Efficiency Utility ("EEU"). The PUC issued an Order of Appointment to the Department to serve as a Vermont EEU effective January 1, 2017 through December 31, 2027 within its service territory. The Department is responsible for designing and implementing demand-side services and initiatives to comprehensively address cost-effective opportunities associated with electric and Thermal Energy and Process Fuels ("TEPF") efficiency. In addition, effective January 1, 2020 the Department began to function as the Fiscal Agent and fund administrator under 30 V.S.A Section 209(d)(3) for electric efficiency and TEPF activities.

This report includes all of the Department's proprietary fund, which accounts for all activities of the Department. In addition, as discussed in note 1(t), the Department has a custodial relationship with the EEU. As the activities of the custodial fund do not belong to the Department, the net position and related changes in net position related to the custodial fund are reported within the Statements of Net Position – Fiduciary (Custodial) Fund and Statements of Changes in Net Position – Fiduciary (Custodial) Fund.

(b) Capital Assets

Capital assets are stated at historical cost. Provisions for depreciation of general capital assets are reported using the straight-line method at rates based upon the estimated service lives and salvage values of the several classes of property. Depreciation of capital assets of the McNeil Generating Station and the Winooski One hydroelectric plant are calculated using the straight-line method. However, a portion of the current depreciation expense is only recoverable through future rates. The difference is included in regulatory assets (calculated as the straight-line depreciation expense less the depreciation expense on a sinking fund basis) and will be recovered in future years. See note 4, Regulatory Assets and Regulatory Deferred Inflows of Resources.

Maintenance and repairs of capital assets are charged to maintenance expense. Replacements and betterments are capitalized to capital assets. When assets are retired or otherwise disposed of, the costs are removed from capital assets, and such costs, plus removal costs, net of salvage, are charged to accumulated depreciation.

The Department's capitalization policy considers four factors. Property will be capitalized when:

1. The combined cost to put a unit in service is more than $500 and
2. The unit's estimated life is at least three (3) years.
3. The unit is vital to the Department and must be controlled and tracked, even if it falls under the dollar limit stated in (1) above. Watt-hour meters to record electric usage are the only unit in this category.
4. The PUC rules in a rate-making decision that the Department will capitalize a cost that normally would not be capitalized based on the first three factors above. The Department does not have any assets in this category.

The depreciable lives of utility plant are as follows:

	Depreciable lives
Production plant	10–50 years
Transmission plant	33–50 years
Distribution plant	10–50 years
General plant	5–50 years
Other plant	5 years

(c) Jointly Owned Facilities

The Department has recorded its ownership interest in jointly owned facilities as capital assets. The Department's ownership interest in each of the jointly owned facilities is as follows:

	2022	2021
McNeil Generating Station	50.0 %	50.0 %

The Department is responsible for its proportionate share of the operating expenses of the jointly owned facilities that are billed to the Department monthly. The associated operating costs allocated to the Department are classified in their respective expense categories in the Statements of Revenues, Expenses, and Changes in Net Position. Separate financial statements are available from the Department for this jointly owned facility.

(d) Cash, Cash Equivalents, and Investments

The Department considers unrestricted short-term investments, including money markets and certificates of deposit, that have an original maturity of 90 days or less, to be cash equivalents. The Department considers all restricted money market funds and certificates of deposit that have an original maturity of 90 days or more to be investments. Investments are carried at fair value.

(Continued)

(e) Equity Interests in Associated Companies

The Department follows the cost method of accounting for its 6.38% Class B common stock, 1.97% Class C common stock and 7.69% Class C preferred stock equity interest in VELCO, and its 5.46% equity interest in Transco. Transco is an affiliated entity of VELCO. VELCO owns and operates a transmission system in the State of Vermont over which bulk power is delivered to all electric utilities in the State of Vermont. Under a Power Transmission Contract with the State of Vermont, VELCO bills all costs, including amortization of its debt and a fixed return on equity, to the State of Vermont and others using the system.

During the year ended June 30, 2022, the Department opted to redeem 50,447 Class A units and 64,205 Class B units in Transco with a value of $1,146,520 that the Department had purchased for specific facility equity 10 years ago. No cash was exchanged because the amount redeemed was the same as the amount purchased and the Department's equity in Transco remained unchanged.

During the year ended June 30, 2021, the Department purchased 47,273 Class A units and 60,165 Class B units in Transco for a cost of $1,074,380.

Schedule of Carrying Value in Associated Companies

	As of June 30, 2022	As of June 30, 2021
Velco, Class B common stock	$ 1,403,800	1,403,800
Velco, Class C common stock	39,200	39,200
Velco, Class C preferred stock	11,196	11,196
VT Transco, LLC, A Units	14,613,571	14,613,571
VT Transco, LLC, B Units	18,599,079	18,599,079
	$ 34,666,846	34,666,846

(f) Restricted Investments – Deposits with Bond Trustees

The Department has established certain funds required by the General Bond Resolution adopted by the City of Burlington on October 7, 1981 pursuant to which the Electric System Revenue Bonds were issued. The funds include debt service, debt service reserve, construction (capital improvements), and renewal and replacement. Investment securities held in deposits with bond trustees are stated at fair value.

(g) Liabilities Payable from Restricted Assets with Bond Trustees

This balance represents accrued interest expense associated with the Electric System Revenue Bonds. Deposits are made with the Bond Trustees as required by the General Bond Resolution pursuant to which the Electric System Revenue Bonds were issued.

(h) Operating and Nonoperating Revenues and Expenses

Operating revenues are defined as income received from the sale of electricity to retail customers as well as to other entities for the purpose of resale. In addition, it includes rents from electric property, fees for changing, connecting, or disconnecting service, revenues from the transmission of electricity of others over transmission facilities of the utility, revenue from the sale of Renewable Energy Credits ("RECs"), and revenue received from requesting utilities to run generation facilities when not economically feasible due to normal market conditions.

Operating expenses are defined as the ordinary costs and expenses of the Department for the operation, maintenance, and repair of the electric plant. Operating expenses include the cost of production by the Department's owned generating facilities, purchased power, system control and load dispatch, maintenance of transmission and distribution systems, customer accounting and service expenses, administrative and general expenses, and depreciation and amortization. Operating expenses do not include the principal and interest on bonds, notes, or other costs of indebtedness.

Nonoperating revenues are defined as income received from sources other than the sale of electricity or from rents and fees from electric property or services. Nonoperating revenues generally include interest and dividend income, services rendered to customers upon their request, sale of parts from inventory to contractors, and rental of nonutility property merchandise.

Revenues, including amounts billed to the City of Burlington, are billed monthly based on billing rates authorized by the PUC that are applied to customers' consumption of electricity.

The fair value of donated capital assets is reported in the accompanying financial statements as capital contributions.

(i) Estimated Unbilled Revenue

The Department records unbilled revenue at the end of each accounting period based on estimates of electric services rendered but not yet billed to customers.

(j) Taxes and Fees

The Department is exempt from Federal income taxes. Although it is also exempt from municipal property taxes, the Department pays an amount in lieu of taxes to the City of Burlington. The Department incurred payments in lieu of taxes totaling $2,290,228 and $2,715,766 for the years ended June 30, 2022 and 2021, respectively, with $15,989 and $19,595, respectively, being allocated to operating expenses. The reduction compared to 2021 was due to a City-wide reappraisal that occurred in 2021.

In addition to the payments in lieu of taxes, the Department paid indirect costs of $311,300 and $331,476 in 2022 and 2021, respectively, for a prorated share of costs associated with general government, human resources, and general accounting services as billed by the City Treasurer's Office.

The City of Burlington requires the Department to charge a franchise fee on its electric bills to its retail customers on behalf of the City. The franchise fee for both 2022 and 2021 was 3.5% of operating revenues and was charged separately to customers on electric bills and is therefore excluded from both operating revenues and expenses. The Department is not required to pay the City for franchise fee amounts billed to customers but not collected.

(Continued)

The Vermont Department of Taxes assesses a 6% sales and use tax on 31% of taxable purchases for the McNeil Generating Station. Due to a manufacturers' exemption clause, purchases of wood chips, oil, gas, and electricity were not subject to sales and use tax for the years ended June 30, 2022 and 2021. The City of Burlington imposed a 1% sales tax upon taxable sales within the City. The McNeil Generating Station is exempt from these sales taxes due to only being subject to use taxes.

(k) Inventories

Inventories consist of fuel, materials, supplies, and purchased Tier 1 RECs and earned Tier 3 Credits eligible for compliance with Vermont's Renewable Energy Standard ("RES"). Inventories are stated at the lower of cost or market. Cost is determined on a weighted average cost basis. Fuel is reported as inventory until it is used for power production, at which time it is expensed as a component of fuel expense. Wood fuel inventory consists of the cost of woodchips. As wood fuel inventory is used, it is expensed on a weighted average cost basis. Material and supplies inventory consists of items primarily used in the utility business for construction, operation and maintenance of poles, wires, and conduit. Purchased Tier 1 RECs and Tier 3 Credits are reported as inventory until used for annual compliance with Vermont's RES, at which time they are expensed as a component of purchased power expense and customer accounting, service, and sales expense, respectively.

(l) Deferred Loss on Refunded Debt

The Department incurred various losses in prior years in connection with the refinancing of Electric System Revenue Bonds. A deferred loss on reacquired (refunded) debt is amortized over the life of the new debt. Unamortized balances are included as a deferred outflow of resources on the statements of net position.

(m) Unamortized Debt Premiums and Discounts

Premiums and discounts incurred in connection with the sale of bonds are amortized over the terms of the related debt. Unamortized balances are included as a component of long-term debt.

(n) Restricted Net Position

Net position is restricted when constraints are placed on them externally. When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted assets first with unrestricted resources used as needed.

(o) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts and unbilled revenue and the valuation of the net pension and other post-employment benefits (OPEB) liabilities. Actual results could differ from those estimates.

(p) Renewable Energy Credit Sales

The Department receives RECs based on the amount of energy produced by its renewable resources in a year. These RECs have value in terms of allowing the holder to demonstrate compliance with the Renewable Portfolio Standard (RPS) requirements of the various New England states. These RECs may be bought and sold, separate from the underlying energy production, and vary in value based on the amount of supply versus the demands created by the RPS, for each particular type of REC. The ability to claim energy renewability is transferred with the REC (either lost in the case of a REC sale or acquired in the case of a REC purchase).

The Department's policy & planning staff monitors output levels from the REC-producing units, REC commitments made, the markets for these RECs, and the State statutes and rules that govern the creation and sale of these RECs. With the advent of Vermont's RES in 2017, the policy & planning staff also monitor the Department's own need for RECs to comply with the RES.

The Department periodically sells RECs either through broker-initiated transactions or through direct placement with entities that need the RECs to comply with various New England statutes. The Department enters into agreements to sell or buy RECs for prior, current, and future years' production and electricity sales. Any revenue or expenses related to such sales or purchases are recognized at the time RECs are actually delivered or received.

In 2008, the McNeil Generating Station ("McNeil") installed a Regenerative Selective Catalytic Reduction ("RSCR") unit. The RSCR unit significantly reduces McNeil's Nitrous Oxide (NOx) emission levels, which allows the station to qualify to sell Connecticut Class 1 RECs. The McNeil RECs are determined to be qualified for sale based on a review of emissions outputs submitted by McNeil. At the end of every quarter, an affidavit is signed stating whether McNeil's emissions meet the requirements needed to produce Connecticut Class 1 RECs. McNeil receives a certification from the State of Connecticut indicating that it met the standards for the quarter based on the statistics provided by McNeil.

Effective September 1, 2014, the Department became the 100% owner of the Winooski One hydroelectric facility. Winooski One is a Low Impact Hydro Institute (LIHI)–certified generator and is qualified to produce Massachusetts Class 2 RECs (non–waste-to-energy).

The Department receives RECs from the Vermont Wind Project in Sheffield (the Department is entitled to 40% of the output of the 40MW project), the Georgia Mountain Community Wind Farm (the Department is entitled to the full 10MW of output from the project), along with RECs from its entitlement to 13.5 MW of the 52 MW Hancock Wind Project. The RECs from all these wind facilities are qualified for participation in most of the high-value New England REC markets.

In February 2015, the Department commissioned a 500 kW AC solar array at the Burlington International Airport (and leases space on the parking garage roof under a long-term agreement between the Department and the Burlington International Airport). Following that, in October 2015, the Department commissioned a 107 kW AC solar array at the Department's offices at 585 Pine Street. The Department owns 100% of these resources. Additionally, Burlington receives RECs from South Forty Solar, a 2.5 MW solar array, as well as RECs (or similar attributes) from several smaller solar arrays totaling 409 kW. One of the solar PPAs discussed in the Commitments and Contingencies

Footnote (11.b.7) has elected not to transfer RECs to BED. All of these systems reside within the city limits. These solar arrays are designed to help reduce the Department's peak demand and energy needs during high-priced periods. Most of these facilities are qualified to produce Massachusetts Class 1 RECs. The Pine Street array and South Forty Solar project are also qualified as Vermont Tier 2 RECs, which can be applied to the Department's Tier 3 obligation under the RES if Tier 3 program activity does not meet or exceed Tier 3 requirements.

The Department no longer receives RECs from Vermont Standard Offer projects purchased by the Vermont Purchasing Agent. At the end of 2016, the Department's status as a distribution utility that sources 100% of the load it serves from renewable sources exempted it from purchasing energy from these projects in 2017. As of June 30, 2022, the Department expects this exemption will continue through at least 2023.

The Department purchases Vermont Tier I RECs to replace the New England Class I RECs that are sold in the market to maintain its ability to claim 100% renewability. The Department will continue to purchase RECs to replace the New England Class I RECs that are sold into the market on a voluntary basis.

Proceeds from REC sales are included in other revenue. For the fiscal year ended June 30, 2022, REC revenue for McNeil, wind resources, the Winooski One hydroelectric facility, and the solar arrays were $6,599,441, $2,341,500, $670,140, and $178,252 respectively. For the fiscal year ended June 30, 2021, REC revenue for McNeil, wind resources, the Winooski One hydroelectric facility, and the solar arrays were $3,943,923, $3,280,049, $630,000, and $197,844 respectively.

(q) Pollution Remediation Obligations

The Department faces possible liability as a potentially responsible party ("PRP") with respect to the cleanup of certain hazardous waste sites. The City is currently a PRP as a landowner of a hazardous waste superfund site in Burlington, Vermont that is the subject of a remediation investigation by the Environmental Protection Agency ("the EPA"). The Department has agreed to share on an equal basis all past and future costs incurred in connection with any and all settlements or actions resulting from the designation of the City as a PRP at this site. In light of the agreement between the City and the EPA concerning the remediation plan at the site, the Department believes that the likelihood of any liability material to the financial position of the Department is remote and as such no liability has been accrued as of June 30, 2022 and 2021.

The Department faces possible liability with respect to the J. Edward Moran Electric Generation Station ("Moran Station"). The Moran Station is a decommissioned coal-fired power plant that was controlled and operated by the Department from 1954 until 1990 when the Department entered into a memorandum of understanding ("MOU") with the City of Burlington transferring responsibility for the Moran Station to the City. The MOU transferred the Moran Station to the City in "as is" condition and held the Department harmless for any and all future liability and or responsibility for such Moran Station and property, excluding environmental remediation (if any) which shall be required in the future by a state or federal environmental regulatory agency, for conditions existing before the transfer. In 2009 the City conducted an assessment of activities at the Moran Station site and was engaged in a corrective action plan with the Vermont Department of Environmental Conservation. The City and the Department entered into a letter of agreement in December 2009 where it was agreed that the Department shall make a $100,000 payment to the City as settlement of the Department's liability for any and all environmental remediation costs associated with known environmental contamination at the Moran Station. In September 2019, the City began the efforts of creating a Site Resolution Plan and in February 2020, the City Council authorized the Mayor to execute a settlement agreement between the City and the Department to compensate the City for the costs of abating/remediating contaminants that had been identified at that time as requiring such abatement. In June 2022, the Department entered into a new MOU with the City of Burlington that calls for the Department to make a contribution of $950,715 toward the abatement and/or remediation of the contaminants. The Department also executed a promissory note with the City that calls for the Department to pay the City the $950,715 in eight equal installments with an interest rate of 1.00% per year on the unpaid principal. This obligation is reported as an other current and other non-current liability.

The Department implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*, for the fiscal year ended June 30, 2020. There have been no legally enforceable liabilities associated with the retirement of a tangible asset and as such no asset retirement obligation has been recorded.

(r) Pension Obligations

In accordance with GASB Statement No. 68, *Accounting and Reporting for Pensions*, and GASB No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, employers report a net pension liability and related pension amounts as determined by the plan under the requirements contained in GASB Statement No. 67. Disclosures required under GASB Statement No. 68 apply to the Department for its participation in the City of Burlington Employees Retirement System defined benefit plan.

(s) Postemployment Benefits other than Pensions

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* employers report liabilities, deferred outflows of resources, deferred inflows of resources, and expenses associated with OPEB plans.

(t) Fiduciary Activities

During the year ended June 30, 2021, the Department adopted GASB Statement No. 84, *Fiduciary Activities*. Guidance under GASB Statement No. 84 updates existing guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

Effective January 1, 2020, the Department began to function as the Fiscal Agent and fund administrator under 30 V.S.A Section 209(d)(3) for electric efficiency and TEPF. For the year ended June 30, 2020, $3,188,491 in cash, other assets, and liabilities was transferred to the Department from the previous Fiscal Agent.

As a result of the implementation of GASB Statement No. 84, the EEU activities and the Department's role as a Fiscal Agent are considered a fiduciary activity and as such should be reported as custodial assets within the financial statements.

(Continued)

(u) Leases

During the year ended June 30, 2022, the Department adopted GASB Statement No. 87, *Leases*. Guidance under GASB Statement No. 87 updates existing guidance regarding the standards of accounting and financial reporting for leases by lessees and lessors. The Department evaluated its existing leases and determined that the amounts associated do not have a material effect on the Department's financial statements.

(v) Vermont Renewable Energy Standard Compliance

During the year ended June 30, 2022, the Department implemented a change in accounting policy for the costs associated with Vermont RES compliance from an annual expense to an inventory basis. As a result of this change, Tier 1 REC purchases and RES Tier 3 program activity in excess of that required for compliance in a given period appear as RES inventory assets on the Statement of Net Position. RECs and Tier 3 credits used for annual compliance are expensed as a component of purchased power expense and customer accounting, service, and sales expense, respectively. The Department made this change to improve the alignment between the expenses being recorded and the statutory obligation for compliance in each reporting period, to align the amount recorded as an annual expense more closely with the amount that Vermont regulators will allow to be recoverable in rates, and to improve the accuracy and representativeness of the Department's financial reporting by reflecting current inventories of RECs and Tier 3 program credits on its financial statements. This change in accounting policy has also resulted in a restatement of the Department's financial statements for the year ended June 30, 2021 as follows:

	Statement of Net Position – Proprietary (Enterprise) Fund		
	June 30, 2021 as originally stated	**Changes to account for Vermont RES compliance on an inventory basis**	**June 30, 2021 as restated**
Noncurrent assets:			
RES inventory	$ —	484,553	484,553
Total noncurrent assets	41,556,703	484,553	42,041,256
Total assets	160,186,366	484,553	160,670,919
Net Position			
Net Position:			
Unrestricted	15,734,140	484,553	16,218,693
Total net position	60,750,141	484,553	61,234,694

	Statement of Revenues, Expenses, and Changes in Net Position – Proprietary (Enterprise) Fund		
	June 30, 2021 as originally stated	Changes to account for Vermont RES compliance on an inventory basis	June 30, 2021 as restated
Operating expenses:			
Customer accounting, service and sales	$ 5,810,675	(484,553)	5,326,122
Total operating expenses	56,482,064	(484,553)	55,997,511
Operating (loss) income	(454,616)	484,553	(939,169)
Income before transfers and capital contributions	2,005,421	484,553	1,520,868
Loss before capital contributions	(690,750)	484,553	(1,175,303)
Change in net position	(43,072)	484,553	(527,625)
Net position at end of year	60,750,141	484,553	60,265,588

	Statement of Cashflows - Proprietary (Enterprise) Fund		
	June 30, 2021 as originally stated	Changes to account for Vermont RES compliance on an inventory basis	June 30, 2021 as restated
Reconciliation of cash from operating activities:			
Cash flows from operating activities:			
Operating income	$ (454,616)	484,553	29,937
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Change in REC inventory	—	(484,553)	(484,553)
Net cash provided by operating activities	$ (454,616)	—	(454,616)

(Continued)

(2) Capital Assets

	Capital assets			
	June 30, 2021	Additions	Disposals and transfers	June 30, 2022
Operating:				
Land – nondepreciable	$ 1,140,532	—	—	1,140,532
Production plant	19,373,813	53,963	2,617,720	16,810,057
Transmission plant	2,358,314	—	—	2,358,314
Distribution plant	87,432,312	3,393,220	488,371	90,337,160
General plant	13,165,567	385,594	102,442	13,448,719
Other plant	5,700,070	18,160	—	5,718,230
Depreciable operating	128,030,076	3,850,937	3,208,533	128,672,480
Construction WIP	3,404,878	3,871,045	3,012,871	4,263,053
Total	132,575,486	7,721,982	6,221,403	134,076,065
McNeil 50%:				
Land – nondepreciable	138,299	—	—	138,299
Production plant	54,168,448	968,529	63,093	55,073,884
General equipment	173,558	1,175	—	174,733
Other plant	383,477	—	—	383,477
Depreciable McNeil 50%	54,725,483	969,704	63,093	55,632,094
Total	54,863,782	969,704	63,093	55,770,393
Construction WIP	69,807	900,615	969,705	717
Total capital assets	187,509,075	9,592,301	7,254,201	189,847,175
Electric plant acquisition:				
Adjustment:				
Production plant – Winooski One	11,922,742	—	—	11,922,742
Total capital assets and acquisition adjustment	$ 199,431,817	9,592,301	7,254,201	201,769,917

		Capital assets			
		June 30, 2020	**Additions**	**Disposals and transfers**	**June 30, 2021**
Operating:					
Land – nondepreciable	$	1,140,532	—	—	1,140,532
Production plant		18,736,547	689,791	52,525	19,373,813
Transmission plant		2,355,187	3,127	—	2,358,314
Distribution plant		85,071,651	2,792,329	431,664	87,432,316
General plant		12,788,181	400,293	22,908	13,165,566
Other plant		5,691,910	8,160	—	5,700,070
Depreciable operating		124,643,476	3,893,700	507,097	128,030,079
Construction WIP		3,671,880	3,451,521	3,718,523	3,404,878
Total		129,455,888	7,345,221	4,225,620	132,575,489
McNeil 50%:					
Land – nondepreciable		138,299	—	—	138,299
Production plant		53,603,727	1,062,128	497,407	54,168,448
General equipment		170,527	3,407	376	173,558
Other plant		383,477	—	—	383,477
Depreciable McNeil 50%		54,157,731	1,065,535	497,783	54,725,483
Total		54,296,030	1,065,535	497,783	54,863,782
Construction WIP		5,802	1,129,537	1,065,535	69,804
Total capital assets		183,757,720	9,540,293	5,788,938	187,509,075
Electric plant acquisition:					
Adjustment:					
Production plant – Winooski One		11,922,742	—	—	11,922,742
Total capital assets and acquisition adjustment	$	195,680,462	9,540,293	5,788,938	199,431,817

	Accumulated depreciation			
	June 30, 2021	Depreciation	Deletions	June 30, 2022
Operating:				
Production plant	$ 9,389,187	657,540	2,563,484	7,483,243
Transmission plant	735,334	72,754	—	808,088
Distribution plant	36,255,386	2,636,956	311,194	38,581,148
General plant	8,303,979	560,620	102,440	8,762,159
Other plant	5,594,134	53,760	—	5,647,894
Total	60,278,020	3,981,630	2,977,118	61,282,533
McNeil 50%:				
Production plant	41,778,609	805,786	26,577	42,557,818
General equipment	135,004	9,940	—	144,944
Other plant	380,788	850	—	381,638
Total	42,294,401	816,576	26,577	43,084,400
Total accumulated depreciation	102,572,421	4,798,206	3,003,695	104,366,933
Electric plant acquisition Adjustment:				
Accumulated amortization	3,010,164	491,910	—	3,502,073
	$ 105,582,585	5,290,116	3,003,695	107,869,006
Net capital assets	$ 93,849,232	4,302,185	4,250,505	93,900,912

		Accumulated depreciation			
		June 30, 2020	**Depreciation**	**Deletions**	**June 30, 2021**
Operating:					
Production plant	$	8,782,934	658,776	52,523	9,389,187
Transmission plant		662,682	72,652	—	735,334
Distribution plant		33,914,668	2,583,261	242,543	36,255,386
General plant		7,705,805	621,081	22,907	8,303,979
Other plant		5,527,199	66,935	—	5,594,134
Total		56,593,288	4,002,705	317,973	60,278,020
McNeil 50%:					
Production plant		41,471,914	791,634	484,939	41,778,609
General equipment		118,560	16,820	376	135,004
Other plant		379,938	850	—	380,788
Total		41,970,412	809,304	485,315	42,294,401
Total accumulated depreciation		98,563,700	4,812,009	803,288	102,572,421
Electric plant acquisition Adjustment:					
Accumulated amortization		2,525,754	484,410	—	3,010,164
	$	101,089,454	5,296,419	803,288	105,582,585
Net capital assets	$	94,591,008	4,243,874	4,985,650	93,849,232

During fiscal years 2022 and 2021, respectively, the Department allocated $167,345 and $174,655 of depreciation expense to other operating expense captions in the statements of revenues, expenses, and changes in net position in order to allocate depreciation associated with stockroom equipment and vehicles to capital projects.

In August 2014, the Department acquired the Winooski One hydroelectric facility, an existing facility on the Winooski River between the Cities of Burlington and Winooski. The Department recorded the net book value of the station as received. The difference between the fair market value purchase price and the net book value has been recorded in the electric plant acquisition adjustment account and is being amortized over the life of the associated bond financing.

(Continued)

(3) Cash and Cash Equivalents and Investments

(a) Custodial Credit Risk – Deposits

The custodial credit risk for current operating deposits is the risk that in the event of a bank failure, the Department's proprietary fund deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Total proprietary fund deposits at June 30, 2022 were $13,126,863, of which $11,466,355 was exposed to custodial credit risk; however, the City of Burlington is insured with the Federal Home Loan Bank (FHLB), Pittsburgh under a letter of credit for $19,000,000, which would cover uninsured amounts over the FDIC limit of $250,000. Total proprietary fund deposits at June 30, 2021 were $9,953,596, of which $8,588,201 was exposed to custodial credit risk; however, the City of Burlington is insured with the Federal Home Loan Bank (FHLB), Pittsburgh under a letter of credit for $14,500,000, which would cover uninsured amounts over the FDIC limit of $250,000.

Total fiduciary (custodial) fund deposits at June 30, 2022 were $3,706,742, all of which was exposed to custodial credit risk. Total fiduciary (custodial) fund deposits at June 30, 2021 were $3,271,600, all of which was exposed to custodial credit risk.

(b) Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for incidental assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2 – Input to valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Department's own assumptions about the inputs market participants would use in the pricing of the asset or liability (including assumption of risk). Unobservable inputs are developed based on the best information available in circumstances and may include the Department's own data.

All the Department's investments, as of June 30, 2022 and 2021 are considered to be Level 1 under the fair value hierarchy.

(c) Investments

The Department has a formal investment policy and is authorized per Article 1, Section 1.1 of the General Bond Resolution to invest in obligations as follows:

(1) Direct obligations of the United States of America or obligations guaranteed by the United States of America.

(2) Bonds, notes or other evidences of indebtedness issued or guaranteed by the CoBank, Federal Intermediate Credit Banks, FHLB, FNMA, GNMA, Export-Import Bank of the United States, Federal Land Banks, United States Postal Service, Federal Financing Bank, or any agency or instrumentality of or corporation wholly owned by the United States of America.

(3) New Housing Authority Bonds issued by public agencies or municipalities and fully secured by a pledge of annual contributions under annual contributions contract with the United States of America, or Project Notes issued by public agencies or municipalities and fully secured by a requisition or payment agreement with the United States of America.

(4) Obligations of any state, commonwealth, or territory of the United States of America, or the District of Columbia, or any political subdivision of the foregoing, with an investment grade rating not lower than the three highest categories by at least one nationally recognized debt rating service.

(5) Certificates of deposit and bankers acceptances issued by banks that are members of the Federal Deposit Insurance Corporation and each of which has a combined capital and surplus of not less than $10,000,000, provided that the time deposits in and acceptances of any bank under the Resolution (a) do not exceed at any time 25% of the combined capital and surplus of the bank or (b) are fully secured by obligations described in items 1, 2, 3, and 4 above.

(6) Repurchase contracts with banks that are described in item 5 of this paragraph, or with recognized primary dealers in government bonds, fully secured by obligations described in items 1, 2, 3, and 4 above.

(d) Concentration of Credit Risk

Concentration of credit risk of investments is the risk of loss attributable to the magnitude of a Department's investment in a single issuer. The Department invests its current operating cash in money market accounts, which are approximately 9% of the total investment balance at June 30, 2022. The invested balance of money market funds reported within unrestricted cash and cash equivalents on June 30, 2022 and 2021 was $2,913,009 and $2,616,163, respectively. The Department invests its restricted funds in several cash accounts with its bond trustees. The invested balance of cash funds reported within restricted investments-deposits with bond trustees on June 30, 2022 and 2021 was $4,505,551 and $5,477,836, respectively. The invested balance of U.S. Treasuries reported within restricted investments on June 30, 2022 and 2021 was $21,337,195 and $203,312, respectively.

(e) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Department has minimized its risk exposure as its investments are limited to government securities and other high-quality investments as outlined in the investment policy.

The money market funds held by the Department are not rated.

The Department's propriety debt investments as of June 30, 2022 and 2021 are (all of which are restricted by bond resolution) presented below by investment type, and debt securities are presented by remaining maturity. The fiduciary fund has no debt investments.

	Investment type				Investment maturities (in years)				
Year	Money market	U.S. Treasury bills	Cash	Total fair value	Less than 1	1–2	2–3	3–4	5+
2022	$ —	21,337,195	4,505,551	25,842,746	—	6,228,570	10,055,895	5,052,730	
2021	—	203,312	5,477,836	5,681,148	—	—	—	—	203,312

The Department is required by its bond indenture to make monthly deposits into the renewal and replacement fund equal to 10% of the monthly revenue bond debt service funding requirements. Funds on deposit may be withdrawn from the renewal and replacement fund for expenses allowed by the bond covenant. Amounts in excess of $867,000 at June 30 may be returned to the revenue fund. A summary of deposits with bond trustees is as follows:

	June 30	
	2022	2021
Bond funds:		
Construction fund	$ 19,203,851	—
Renewal and replacement fund	867,000	867,000
Debt service fund	2,235,013	2,219,203
Debt service reserve fund	3,536,882	2,594,945
	25,842,746	5,681,148
Accrued interest receivable	38,475	411
	$ 25,881,221	5,681,559

(4) Regulatory Assets and Regulatory Deferred Inflows of Resources

Regulatory assets and regulatory deferred inflows of resources at June 30, 2022 and 2021 are composed of the following:

		2022	2021
Deferred depreciation expense to be recovered in future years	$	1,265,260	1,370,699
COVID-19 Capitalized personnel costs		227,139	245,193
IBEW pension back-payment		304,643	—
Triennial consulting engineer report		36,668	—
Total regulatory assets	$	1,833,710	1,615,892
Deferred depreciation expense – McNeil Plant	$	2,874,376	3,002,391
Deferred depreciation expense – operating		2,785,939	1,855,513
Total regulatory deferred inflows of resources	$	5,660,315	4,857,904

(a) Deferred Depreciation Expense to be Recovered in Future Years

Provisions for depreciation of general capital assets are reported using the straight-line method at rates based upon the estimated service lives and salvage values of the several classes of property. Depreciation of capital assets of the McNeil Generating Station are calculated using the straight-line method. However, a portion of the current depreciation expense is only recoverable through future rates. The difference is included in deferred charges (calculated as the straight-line depreciation expense less the depreciation expense on a sinking fund basis) and will be recovered in future years. The Department recorded straight-line depreciation of $4,798,210 and $4,812,009 for the years ended June 30, 2022 and 2021, respectively. In 2022 and 2021, $930,427 and $208,298, respectively, of deferred depreciation expense was realized. Unamortized deferred depreciation of $1,265,260 and $1,370,699 remained at June 30, 2022 and 2021, respectively.

(b) COVID-19 Capitalized Personnel Costs

On September 9, 2021, the Department filed a request with the PUC for an accounting order, pursuant to 30 V.S.A. §221, that would allow the Department to capitalize certain costs by debiting FERC account 182.3 (other regulatory assets) instead of showing the costs as expenses on its income statements for the year ending June 30, 2021. The Department evaluated its budgeted capitalized labor and benefit expenses to identify which capital projects have been delayed specifically due to the COVID-19 pandemic for the year ending June 30, 2021. The Department proposed to capitalize and record as a regulatory asset $146,721 instead of showing these expenses on its income statement for the year ending June 30, 2021. On October 25, 2021, the PUC issued the accounting order. This regulatory asset will be amortized over a 5-year period beginning on August 1, 2022, concurrent with the effective date of the Department's most-recent rate case filing.

On July 31, 2020, the Department filed a request with the PUC for an accounting order, pursuant to 30 V.S.A. §221, that would allow the Department to capitalize certain costs by debiting FERC account 182.3 (other regulatory assets) instead of showing the costs as expenses on its income statements for the year ending June 30, 2020. The Department evaluated its budgeted capitalized labor and benefit expenses to identify which capital projects have been delayed specifically due to the COVID-19 pandemic for the year ending June 30, 2020. The Department proposed to capitalize and record as a regulatory asset $231,768 instead of showing these expenses on its income statement for the year ending June 30, 2020. On September 17, 2020, the PUC issued the accounting order. On February 25, 2021, the Department notified the PUC that it would reduce the FY2020 regulatory asset to $98,472 due to the reimbursement of some COVID-19–related expenses. This regulatory asset will be amortized over a 5-year period beginning on August 1, 2021.

(c) IBEW Pension Back-Payment

As discussed in note 8, as a result of a March 25, 2021 arbitration decision, the Burlington Employee Retirement Systems (BERS) Plan is required to pay additional benefits to certain IBEW employees and provide the same additional benefits to up to certain current IBEW employees who may qualify for those benefits if they continue to work for BED for more than 25 years. The City's actuary calculated a total of $1,234,973 in past benefits owed to the 24 eligible employees who retired after May 4, 2008 through June 30, 2021, and the BERS Plan has paid these back benefits to the individual employees. BED's actuarially determined share is 35.24% or $435,204. The Department included this amount, amortized over five years, in its June 17, 2021 rate case, which was approved by the PUC in February 24, 2022.

(d) Triennial Consulting Engineer Report

The Department is required to engage a consulting engineer at least once every three fiscal years to examine and report on the properties of the Electric Plant as a covenant of the General Bond Resolution that authorizes the issuance of Electric System Revenue Bonds. The Department included its expenses associated with the FY 2021 report, $55,000, amortized over three years, in its June 17, 2021 rate case, which was approved by the PUC in February 24, 2022.

(e) Deferred Depreciation Expense to be Paid in Future Years

Beginning in 2011, certain accumulated deferred depreciation balances became negative due to the fact that the financed assets were close to being fully depreciated when compared to the future debt sinking fund requirements. These accumulated amounts are displayed as deferred inflows of resources. Deferred depreciation expense of $5,660,315 and $4,857,904 remained at June 30, 2022 and 2021, respectively.

(Continued)

(5) Long-Term Liabilities

Outstanding debt consists of the following at June 30, 2022 and 2021:

	June 30, 2021	Increases	Payments and reductions	June 30, 2022	Current portion
Outstanding debt:					
Electric System Revenue Bonds:					
5.24% 2011 Series A, due 2022	$ 315,000	—	(315,000)	—	—
8.11% 2011 Series B, due 2022	145,000	—	(145,000)	—	—
3.78% 2014 Series A, due 2035	9,225,000	—	(510,000)	8,715,000	520,000
3.36% 2014 Series B, due 2025	2,535,000	—	(605,000)	1,930,000	620,000
4.85% 2017 Series A, due 2032	4,010,000	—	—	4,010,000	320,000
Taxable 3.40% 2017 Series B, due 2032	4,755,000	—	(235,000)	4,520,000	390,000
5% 2022 Series A, due 2043	—	18,045,000	—	18,045,000	—
Total revenue bonds	20,985,000	18,045,000	(1,810,000)	37,220,000	1,850,000
Adjustments:					
Add unamortized premium	374,429	3,317,190	(43,555)	3,648,064	—
Less unamortized discount	(503,828)	—	—	(503,828)	—
Total revenue debt of the department	20,855,601	21,362,190	(1,853,555)	40,364,236	1,850,000
General obligation debt, repayable from the Department's resources:					
3.73%, due 2032: CI#2011B	640,000	—	(45,000)	595,000	50,000
5.00%, due 2023: CI#2012A1	185,000	—	(90,000)	95,000	95,000
5.00%, due 2023: CI#2012A2	160,000	—	(80,000)	80,000	80,000
6.00%, due 2032: CI#2012B	915,000	—	(55,000)	860,000	60,000
2.78%, due 2034: CI#2014	2,100,000	—	(150,000)	1,950,000	150,000
5.0%, due 2023: CI#2015A	235,000	—	(115,000)	120,000	120,000
4.82%, due 2029: CI#2016A	7,990,000	—	(865,000)	7,125,000	915,000
4.62% due 2037: CI#2016B	2,610,000	—	(110,000)	2,500,000	115,000
4.03% due 2030: CI#2016C	6,585,000	—	(615,000)	5,970,000	625,000
2.76% due 2030: CI#2016D	7,890,000	—	(765,000)	7,125,000	780,000
4.88% due 2038: CI#2017C	2,695,000	—	(105,000)	2,590,000	110,000

(Continued)

	June 30, 2021	Increases	Payments and reductions	June 30, 2022	Current portion
5.00% due 2039:					
CI#2018B	$ 2,815,000	—	(100,000)	2,715,000	105,000
4.39% due 2040:					
CI#2019A	2,915,000	—	(100,000)	2,815,000	100,000
Taxable 2.59% due 2036:					
CI#2019C	7,970,000	—	(225,000)	7,745,000	190,000
3.45% due 2041					
CI#2021A	2,625,000	—	—	2,625,000	80,000
0.44% Series 2021 Bond					
Anticipation Note	—	3,000,000	—	3,000,000	—
Total general obligation bonds	48,330,000	3,000,000	(3,420,000)	47,910,000	3,575,000
Adjustments:					
Add unamortized premium	3,626,449	160,348	—	3,786,797	—
Deduct unamortized discount	(1,035,140)	74,466	—	(960,674)	—
Total general obligation debt	50,921,309	3,234,814	(3,420,000)	50,736,123	3,575,000
Total long-term debt	$ 71,776,910	24,597,004	(5,273,555)	91,100,359	5,425,000

	June 30, 2021	Increases	Payments and reductions	June 30, 2022	Less Current portion	Net noncurrent liability
Other noncurrent liabilities:						
Accumulated provision for						
compensated absence	$ 1,071,008	72,318	—	1,143,326	—	1,143,326
Other post-employment benefit	1,054,323	—	(144,487)	909,836	—	909,836
On-bill revolving loans	389,179	75,913	—	465,092	—	465,092
Equipment financing note	—	617,962	(178,553)	439,409	(196,462)	242,947
Moran Frame promissory note	—	950,715	—	950,715	(118,839)	831,876
Net pension liability	17,414,582	—	(5,808,394)	11,606,188	—	11,606,188
Total other noncurrent liabilities	$ 19,929,092	1,716,908	(6,131,434)	15,514,566	(315,301)	15,199,265

(Continued)

	June 30, 2020	Increases	Payments and reductions	June 30, 2021	Current portion
Outstanding debt:					
Electric System Revenue Bonds:					
5.24% 2011 Series A, due 2022	$ 615,000	—	(300,000)	315,000	315,000
8.11% 2011 Series B, due 2022	280,000	—	(135,000)	145,000	145,000
3.78% 2014 Series A, due 2035	9,720,000	—	(495,000)	9,225,000	510,000
3.36% 2014 Series B, due 2025	3,125,000	—	(590,000)	2,535,000	605,000
4.85% 2017 Series A, due 2032	4,010,000	—	—	4,010,000	—
Taxable 3.40% 2017 Series B, due 2032	4,980,000	—	(225,000)	4,755,000	235,000
Total revenue bonds	22,730,000	—	(1,745,000)	20,985,000	1,810,000
Adjustments:					
Add unamortized premium	416,840	—	(42,411)	374,429	—
Less unamortized discount	(503,828)	—	—	(503,828)	—
Total revenue debt of the department	22,643,012	—	(1,787,411)	20,855,601	1,810,000
General obligation debt, repayable from the Department's resources:					
3.77%, due 2021: CI#2011A	45,000	—	(45,000)	—	—
3.73%, due 2032: CI#2011B	685,000	—	(45,000)	640,000	45,000
5.00%, due 2023: CI#2012A1	265,000	—	(80,000)	185,000	90,000
5.00%, due 2023: CI#2012A2	235,000	—	(75,000)	160,000	80,000
6.00%, due 2032: CI#2012B	965,000	—	(50,000)	915,000	55,000
2.78%, due 2034: CI#2014	2,250,000	—	(150,000)	2,100,000	150,000
5.0%, due 2023: CI#2015A	345,000	—	(110,000)	235,000	115,000
4.82%, due 2029: CI#2016A	8,820,000	—	(830,000)	7,990,000	865,000
4.62% due 2037: CI#2016B	2,715,000	—	(105,000)	2,610,000	110,000
4.03% due 2030: CI#2016C	7,190,000	—	(605,000)	6,585,000	615,000
2.76% due 2030: CI#2016D	8,640,000	—	(750,000)	7,890,000	765,000
4.88% due 2038: CI#2017C	2,800,000	—	(105,000)	2,695,000	105,000

	June 30, 2020	Increases	Payments and reductions	June 30, 2021	Current portion
5.00% due 2039:					
CI#2018B	$ 2,910,000	—	(95,000)	2,815,000	100,000
4.39% due 2040:					
CI#2019A	3,000,000	—	(85,000)	2,915,000	100,000
Taxable 2.59% due 2036:					
CI#2019C	8,130,000	—	(160,000)	7,970,000	225,000
0.72% Series 2020 Bond Anticipation Note	—	3,000,000	—	3,000,000	—
Total general obligation bonds	48,995,000	3,000,000	(3,290,000)	48,705,000	3,420,000
Adjustments:					
Add unamortized premium	3,901,455	—	(275,006)	3,626,449	—
Deduct unamortized discount	(1,105,282)	70,142	—	(1,035,140)	—
Total general obligation debt	51,791,173	3,070,142	(3,565,006)	51,296,309	3,420,000
Total long-term debt	$ 74,434,185	3,070,142	(5,352,417)	72,151,910	5,230,000
Other noncurrent liabilities:					
Accumulated provision for compensated absence	$ 1,022,786	48,222	—	1,071,008	
Other post-employment benefit	1,000,516	45,374	8,433	1,054,323	
On-bill revolving loans	390,532	—	(1,353)	389,179	
Net pension liability	15,004,757	3,567,219	(1,157,394)	17,414,582	
Total other noncurrent liabilities	$ 17,418,591	3,660,815	(1,150,314)	19,929,092	

The Electric System Revenue Bonds have been issued pursuant to the General Bond Resolution and are collateralized by a pledge of the Department's operating revenues. Pursuant to the General Bond Resolution, revenues (as defined) means all rates, fees, charges or other income and includes rentals, proceeds of insurance or condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues. On an annual basis, revenues must be sufficient after deducting operating expenses (as defined) to meet minimum debt service coverage requirements (as defined). If minimum debt service coverage requirements are not met, the Department must take timely corrective action.

During the fiscal year ended June 30, 2022, the Department, through the City of Burlington, issued $18,045,000 in new Electric System Revenue Bonds, 2022 Series A with an average coupon rate of 5.00% for the purpose of funding capital improvements to the Department's distribution and renewable generation plants, information technology systems, and electric vehicle charging infrastructure.

(Continued)

The Department has pledged future revenues, net of specified operating expenses, to repay the principal and interest on its Electric System Revenue Bonds issued in 2011, 2014, 2017, and 2022. The bonds are payable solely from revenues as defined and are payable through 2043. Annual principal and interest payments on the bonds are expected to require less than 50% of net revenues. The total principal and interest remaining to be paid on the bonds was $54,339,133 and $26,168,759 at June 30, 2022 and 2021, respectively. During 2022 and 2021, principal and interest paid, and net revenues available for debt service, were $2,594,164 and $12,412,643 and $2,591,033 and $10,017,015, respectively.

The general obligation bonds were issued to finance electric system improvements and are collateralized by the general revenue-raising power of the City of Burlington. Pursuant to the terms of the General Bond Resolution, the claim on the revenues of the Department by the holders of revenue bonds under the General Bond Resolution is prior to any claim of the holders of general obligation bonds.

During the fiscal year ended June 30, 2022, the Department, through the City of Burlington, entered into a $3,000,000, Series 2021, general obligation bond anticipation note maturing on October 21, 2022 and bearing interest at the fixed rate of 0.44%. This note has been recorded as a long-term liability for 2022 pursuant to GASB Codification Section 1500, as the Department has the intent and ability to refinance the obligation on a long-term basis. On September 28, 2021, the Department, through the City of Burlington, issued $3,000,000 in general obligation bonds, 2021 Series A, with an average coupon rate of 3.45% for the purpose of refunding the $3,000,000 bond anticipation note, Series 2020, issued July 21, 2020.

During the fiscal year ended June 30, 2021, the Department, through the City of Burlington, entered into a $2,625,000, Series 2020, general obligation bond anticipation note maturing on October 21, 2021 and bearing interest at the fixed rate of 0.72%. This note has been recorded as a long-term liability for 2021 pursuant to GASB Codification Section 1500, as the Department has the intent and ability to refinance the obligation on a long-term basis.

Annual debt service requirements exclusive of unamortized premium or discount are as follows:

	Revenue debt		General obligation debt		
	Principal	Interest	Principal	Interest	Total
Year ending June 30:					
2023	$ 1,850,000	1,390,646	3,575,000	1,710,103	8,525,749
2024	1,935,000	1,557,679	3,745,000	1,572,820	8,810,499
2025	2,000,000	1,477,296	3,920,000	1,422,452	8,819,748
2026	1,395,000	1,408,176	4,090,000	1,263,895	8,157,071
2027–2031	10,435,000	5,977,921	18,940,000	3,849,518	39,202,439
2032–2036	9,505,000	3,498,915	7,465,000	1,328,294	21,797,209
2037–2041	6,845,000	1,703,625	2,995,000	236,625	11,780,250
2042–2046	3,255,000	164,875	180,000	2,700	3,602,575
	$ 37,220,000	17,179,133	44,910,000	11,386,407	110,695,540

On July 15, 2021, the Department entered into an Equipment Purchase Agreement with Key Government Finance, Inc. to borrow up to $790,000 at an effective interest rate of 0.895% and with a 48-month repayment term to fund the purchase and implementation of a new meter data management system. As of June 30, 2022, the Department had borrowed $617,962.

(6) Short-Term Debt

In February 2012, the City issued on behalf of the Department a $5,000,000 General Obligation Revenue Anticipation Note (Line of Credit) with a local bank, placing the Line of Credit directly with the Department. On June 22, 2020, this Line of Credit was renewed for a two-year term to May 18, 2022, and on June 30, 2022 the Line of Credit was renewed for another two-year term to June 30, 2024. The Department had the entire Line of Credit balance of $5,000,000 available for use during both fiscal years 2022 and 2021 and there was no activity during the past two fiscal years.

(7) Production Expenses

Production expenses are comprised of the following:

		Year ended June 30	
		2022	2021
McNeil Generating Station:			
Fuel	$	7,569,938	7,645,686
Operations		1,926,207	1,664,730
Maintenance		975,017	924,388
		10,471,162	10,234,804
Winooski One Hydro station:			
Operations		273,389	220,982
Maintenance		234,210	116,544
		507,599	337,526
Gas turbine			
Fuel		171,394	121,476
Operations		23,474	31,557
Maintenance		134,927	140,289
		329,795	293,322
Solar:			
Operations		21,029	25,832
Total production expenses	$	11,329,585	10,891,484

(8) Retirement Benefits

The City maintains a single employer defined benefit pension plan and a deferred compensation retirement plan. The Department contributes to the defined benefit plan the allocated required contribution as set forth by the City's actuary for its employees, together with a direct employee contribution of 5.34% (nonunion) and 5.34% and 6.34% (IBEW union, depending on choice of plan) of gross wages. For the years ended June 30, 2022 and 2021, the Department made 100% of its required contributions which totaled $1,451,264 and $1,234,416, respectively. In addition, the Department paid an Administrative Fee of $67,675 and $56,136, for the years ending 2022 and 2021, respectively. Participation in the deferred compensation plan is strictly voluntary, with no matching contribution from the Department.

(a) Defined Benefit Plan

All full-time employees of the Department participate in the City of Burlington Employees' Retirement System (BERS Plan). The BERS Plan covers substantially all of the City's employees except elected officials, other than the mayor, and the majority of the public school teachers, who are eligible for the Vermont Teachers' Retirement System.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BERS Plan and additions to/deductions from BERS Plan's fiduciary net position have been determined on the same basis as they are reported by the BERS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unaudited financial information for the BERS Plan is available from the City of Burlington, Burlington Vermont 05401.

(i) Summary of BERS Plan

All eligible Department union and nonunion employees vest 100% after 5 years of creditable service. Department employees who retire at 65 are entitled to a retirement benefit.

For non-union employees hired prior to July 1, 2006 and IBEW union employees hired on or before May 4, 2008: Age 65 and older, the retirement benefit is the greater of (i) 1.6% of average final compensation (AFC) (at age 65) times creditable service not in excess of 25 years plus 0.5% of AFC (at age 65) times creditable service in excess of 25 years or (ii) the actuarial equivalent of the benefit determined at age 65. This benefit will be increased by the Cost of Living Adjustment detailed below.

For non-union employees hired after July 1, 2006 and IBEW union employees hired after May 4, 2008: Age 65 and older, the retirement benefit is the greater of (i) 1.4% of AFC (at age 65) times creditable service not in excess of 25 years plus 0.5% of AFC (at age 65) times creditable service in excess of 25 years or (ii) the actuarial equivalent of the benefit determined at age 65. This benefit will be increased by the Cost of Living Adjustment detailed below.

In lieu of this benefit, at the time of retirement, a member may choose (i) an accrual rate of 1.9% for all years of service prior to June 30, 2006 for the first 25 years, an accrual rate of 1.8% for all years of service commencing July 1, 2006 for the first 25 years, plus an accrual of 0.5% for creditable service in excess of 25 years, and a Cost of Living Adjustment equal to one-half of the Cost of Living Adjustment detailed below, or (ii) an accrual rate of 2.2% for all years of service prior to June 30, 2006 for the first 25 years, an accrual rate of 2.0% for all years of service commencing July 1, 2006 for the first 25 years, plus and accrual of 0.5% for creditable service in excess of 25 years, with no Cost of Living Adjustment.

As a result of a March 25, 2021 arbitration decision, the BERS Plan is required to pay additional benefits to 24 IBEW employees and provide the same additional benefits to up to 29 current IBEW employees who may qualify for those benefits if they continue to work for BED for more than 25 years. The arbitrator found that these employees who were hired prior to May 4, 2008 who chose a half or no-cost of living adjustment (COLA) benefit should receive the pre-May 4, 2008, higher multiplier for all years of service over 25 for IBEW.

The arbitrator ruled that the employees are to be made whole and are not entitled to interest on any back pension benefits owed. The make-whole remedy has two parts: (1) a payment of back benefits for those eligible employees who retired after May 4, 2008 and (2) an increase in future contributions to the BERS Plan for IBEW employees hired before May 4, 2008. The City's actuary calculated a total of $1,234,973 in past benefits owed to the 24 eligible employees who retired after May 4, 2008 through June 30, 2021, and the BERS Plan has paid these back benefits to the individual employees. Further, in its annual valuation report as of June 30, 2021 the City's actuary has increased the unfunded accrued liability and the actuarially determined employer contribution (ADEC) by $3,880,000 and $348,000, respectively, to reflect the cost of providing this additional benefit to the approximately 29 current employees who may qualify at retirement. Per City policy, the ADEC is shared 70% by the employer and 30% by employees.

Except for employees detailed below, the above benefit based on AFC and creditable service at retirement is reduced by 2% for each year that retirement is between ages 60 and 64. For IBEW union employees hired before May 1, 2008 who elect an additional contribution rate of 4%, a reduction factor is applied of 2% for each year the retirement precedes age 65. For IBEW union employees hired before May 1, 2008, who elect a contribution rate of 3%, the benefit is reduced by a factor which varies with age: factor of 1 at age 65 and a factor of 0.4 at age 55.

For IBEW employees hired after May 4, 2008, the benefit is reduced by a factor which varies by age: factor of 1 at age 65 and a factor of 0.356 at age 55.

(ii) *Cost of Living Adjustment*

Benefits increase annually by changes in the Consumer Price Index of more than 1%. For IBEW employees retiring after March 9, 2016 and non-union employees retiring after July 1, 2017, the maximum annual increase is 2.75%. For all other members, the maximum annual increase is 2.75%. This increase is not applicable to deferred vested benefit prior to commencement, survivor income benefit, disability benefit prior to normal retirement age, or participants who choose to have no cost of living adjustment.

(iii) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The BERS Plan's net pension liability was measured as of June 30, 2021 (Measurement Date). As of the Measurement Date, BERS Plan reported a net pension liability of $61,843,988. The plan fiduciary net position as a percentage of the total pension liability is 80.10%.

At June 30, 2022 and 2021, the Department reported a liability of $11,606,188 and $17,414,582, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2022 was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability at June 30, 2021 was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net liability was based on a projection of the Department's long-term share of contributions relative to the projected contributions of all participating departments in the City, actuarially determined. At June 30, 2022, the Department's proportion was 18.77%, which was an increase of 1.11% from its proportion measured as of June 30, 2021. At June 30, 2021, the Department's proportion was 17.66%, which was a decrease of 0.32% from its proportion measured as of June 30, 2020.

For the years ended June 30, 2022 and 2021, the Department recognized pension expense of $1,057,421 and $2,523,314, respectively. At June 30, 2022 and 2021, the Department reported its allocated proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred outflows of resources	**Deferred inflows of resources**
Payment after the measurement date	$ 1,451,264	—
Difference between actual and projected experience	360,184	—
Net difference between actual and projected investment earnings	—	5,575,600
Changes in assumptions	693,656	—
Change in proportion	646,845	761,756
	$ 3,151,949	6,337,356

	2021	
	Deferred outflows of resources	**Deferred inflows of resources**
Payment after the measurement date	$ 1,234,416	—
Difference between actual and projected experience	535,768	64,205
Net difference between actual and projected investment earnings	1,268,548	—
Changes in assumptions	452,812	331,608
Change in proportion	—	866,588
	$ 3,491,544	1,262,401

Deferred outflows of resources for payments made after the measurement date will be recognized as a reduction in the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2023	$ (737,148)
2024	(826,827)
2025	(1,353,547)
2026	(1,719,149)
Total	$ (4,636,671)

(iv) Actuarial Assumptions

The actuarial assumptions used in the June 30, 2022 and 2021 valuations were based on results of an actuarial experience study for the period July 1, 2012 to June 30, 2017, with changes in the investment rate of return and mortality improvement actuarial assumptions to better reflect the actuary's current best estimate of anticipated experience.

	2022	2021
Valuation dates	June 30, 2021	June 30, 2020
Mortality tables	RP-2014 adjusted to 2006 total dataset mortality table, scale MP-2021, set forward 2 years (Non-Disabled)	RP-2014 adjusted to 2006 total dataset mortality table, scale MP-2020, set forward 2 years Non-Disabled)
	RP-2014 adjusted to 2006 disabled mortality table, scale MP-2021 (Disabled)	RP-2014 adjusted to 2006 disabled mortality table, scale MP-2020 (Disabled)
Inflation	2.6%	2.6%
Salary increases	3.0% average, including inflation	3.0% average, including inflation
Investment rate of return	7.20%	7.30%

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building-block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target allocation	20 Year expected rate of return
Asset class:		
Large cap core equity	31.00 %	7.10 %
SMID cap core equity	9.00	7.40
International developed equity	20.50	9.90
International emerging markets equity	7.00	11.20
Private equity	0.50	10.20
Real estate/ timber	7.00	7.40
Core fixed income	17.50	3.70
US bonds – dynamic	7.50	3.70

Discount rate 7.2% (7.3% as of June 30, 2021)

The projection of cash flows used to determine the discount rate for financial reporting purposes assumed that contributions will continue to be made in accordance with the current funding policy. Based on those assumptions, the BERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate. The following presents the Department's proportionate share of the net pension liability calculated using the 2022 and 2021 discount rates of 7.2% and 7.30%, respectively, for financial reporting purposes, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than those rates:

		2022		
		1% Decrease (6.20%)	**Current discount rate 7.20%**	**1% Increase (8.20%)**
Department's proportionate share of the net pension liability	$	17,580,765	11,606,188	6,504,184

		2021		
		1% Decrease (6.30%)	**Current discount rate 7.30%**	**1% Increase (8.30%)**
Department's proportionate share of the net pension liability	$	22,776,207	17,414,582	12,833,986

(b) Deferred Compensation Plan

The Department offers its employees a deferred compensation plan administered through the City, in accordance with Section 457 of the Internal Revenue Code. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or for "unforeseeable emergency" as defined by IRS guidelines. The assets of the plan are not included in the accompanying financial statements.

(9) Other Post-Employment Benefits (OPEB)

The City maintains a single employer post-retirement benefits other than pension (OPEB) plan (the Plan). Plan costs relate to subsidized health care and life insurance for retirees during the period from retirement to the date of eligibility for social security benefits.

(a) OPEB Plan

Post-employment benefits and Compensated Absences (below) are paid for by the applicable fund where the employee is charged. For the years ended June 30, 2022 and 2021, the Department's contribution was $(8,463) and $(8,433), respectively, and is determined on a pay as you go basis.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(i) Summary of OPEB Plan

Department employees' normal retirement age is 65 with 5 years of service; early retirement is age 55 with 5 years of service. All members are eligible where permanently disabled.

Retired employees pay 100% of their post-retirement medical premium costs, which are based on COBRA rates for pre-65 coverage.

The City provides $2,000 in life insurance for retirees, except for members of AFSCME and IBEW unions who receive $10,000 in life insurance. Certain current retirees have $6,000 of life insurance in force.

Retired employees pay 100% of their dental costs. Dental coverage is generally available for up to 18 months. The City does not subsidize this benefit.

As of June 30, 2021 (Actuarial Valuation Report), the Department had 104 active participants and 84 retirees in the Plan.

(ii) Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2022 and 2021, the Department reported a liability of $909,836 and $1,054,323, respectively, for its proportionate share of the total OPEB liability. The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of July 1, 2021 increased by service costs and interest and decreased by benefit payments to estimate the total OPEB liability at June 30, 2022. The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2019 increased by service costs and interest and decreased by benefit payments to estimate the total OPEB liability at June 30, 2021. The total OPEB liability as of June 30, 2022 and June 30, 2021 was also adjusted to reflect any material plan changes after the valuation. The Department's proportion of the total OPEB liability was based on a projection of the Department's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating departments in the City, actuarially determined. At June 30, 2022, the Department's proportion was 16.7% and at June 30, 2021, the Department's proportion was 15.2%.

For the years ended June 30, 2022 and 2021, the Department recognized OPEB expense of $12,103 and $41,566, respectively. At June 30, 2022 and 2021, the Department reported its allocated proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred outflow of resources	**Deferred inflow of resources**
Difference between actual and projected experience	$ 7,508	268,677
Changes in assumptions	157,183	134,590
Changes in proportion	83,478	250,117
	$ 248,169	653,384

	2021	
	Deferred outflow of resources	**Deferred inflow of resources**
Difference between actual and projected experience	$ 10,412	110,051
Changes in assumptions	184,095	10,369
Changes in proportion	—	314,249
	$ 194,507	434,669

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	$ (89,388)
2024	(89,390)
2025	(89,355)
2026	(96,163)
2027	(48,508)
Thereafter	7,589
Total	$ (405,215)

(Continued)

(iii) Actuarial Assumptions

The total OPEB liability in the June 30, 2022 and 2021 Measurement Date was determined using the following actuarial assumptions:

Valuation date	7/1/2021 for June 30, 2022 and 8/1/2019 for June 30, 2021
Mortality table	RP-2014 adjusted to 2006 total dataset mortality table, projected with Scale MP-2021 set forward 2 years (prior RP-2014, scale MP-2019, set forward 2 years)
Inflation	2.60%
Payroll growth	2.60%
Discount Rate	3.54% as of 6/30/22 and 2.16% as of 6/30/21

Healthcare Cost Trend Rates: 6.50% in 2021, reducing by 0.2% each year to an ultimate rate of 4.60% per year rate for 2031 and later.

Healthcare cost trend rates reflect both the current and long-term outlook for increases in healthcare costs. The short-term rates were based on recent industry surveys, plan experience, and near-term expectations. The long-term trend rate was based on the actuary's general inflation assumption plus an adjustment to reflect expectations for long-term medical inflation.

Since the Plan is not funded, the selection of the discount rate is consistent with the GASB Statement No. 75 standards linking the discount rate to the 20-year AA municipal bond index for unfunded OPEB plans. The discount rate used for the Plan's valuation is equal to the published Bond Buyer GO 20-Bond Municipal Index effective as of June 30, 2022. At June 30, 2022 and 2021, the discount rate was 3.54% and 2.16%, respectively.

Sensitivity of the Department's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Department's proportionate share of the net OPEB liability calculated using the current discount rate of 3.54%, as well as what the Department's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

	2022		
	1% Decrease 2.54%	**Current discount rate 3.54%**	**1% Increase 4.54%**
Department's proportionate share of the net OPEB liability	$ 1,032,336	909,836	807,366

		2021		
		1% Decrease 1.16%	Current discount rate 2.16%	1% Increase 3.16%
Department's proportionate share of the net OPEB liability	$	1,206,857	1,054,323	928,028

Sensitivity of the Department's proportionate share of the net OPEB liability to changes in healthcare cost trend rates. The following presents the Department's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rate of 6.5% decreasing to 4.60%, as well as what the Department's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.5% decreasing to 3.60%) or 1-percentage-point higher (7.5% decreasing to 5.60%) than the current rate.

		2022		
		1% Decrease (5.5% decreasing to 3.60%)	Current healthcare cost trend rate (6.5% decreasing to 4.60%)	1% Increase (7.5% decreasing to 5.60%)
Department's proportionate share of the net OPEB liability	$	828,383	909,836	1,008,493

		2021		
		1% Decrease (5.5% decreasing to 3.60%)	Current healthcare cost trend rate (6.5% decreasing to 4.60%)	1% Increase (7.5% decreasing to 5.60%)
Department's proportionate share of the net OPEB liability	$	947,834	1,054,323	1,184,918

(10) Compensated Employee Absences

Vested vacation and nonexempt compensatory time are recorded under other noncurrent liabilities. Employees earn vacation leave based upon length of employment up to a maximum of 200 hours per year, but may accumulate no more than a maximum of 360 hours.

Employees also accrue sick leave credits based upon length of employment up to 144 hours per year. The Department has accrued a liability for a portion of accrued sick leave for eligible employees. At retirement, union employees can convert unused sick leave 2:1 up to 240 hours to 120 hours of pay. This conversion may not bring the sick leave balance below 240 hours. Nonunion employees hired prior to January 1, 2001, upon retirement can convert one-third (1/3) the number of days of accumulated unused sick leave up to a maximum payment of four (4) weeks or, upon resignation, can convert one-fourth (1/4) the number of days of accumulated unused sick leave up to a maximum payment of three (3) weeks.

At June 30, 2022 and 2021, the Department has reported accrued compensated employee absences of $1,143,326 and $1,071,008, respectively, in other noncurrent liabilities.

(11) Commitments and Contingencies

(a) The Department receives output from generation of the McNeil Generating Station, the Burlington Gas Turbine, the Winooski One hydroelectric facility, the Airport Solar array, and the Pine Street Solar array. Except for the McNeil Generating Station (for which the Department is the operator and 50% owner), the Department owns 100% of these resources and is also responsible for their operation.

(b) In addition to energy provided by its owned generation, the Department purchases a portion of its electricity requirements pursuant to long-term (greater than one year in duration) contracts. During the fiscal years ended June 30, 2022 and 2021, long-term sources of purchased power included:

1. New York Power Authority (NYPA) power from hydro stations on the Niagara and St. Lawrence rivers under contracts through September 1, 2025 (Niagara) and through April 30, 2032 (St. Lawrence).

2. For a portion of the period (in FY21) from Vermont Electric Power Producers, Inc. (VEPPI), which is agent for hydro facilities located within Vermont (the final VEPPI contracts expired in 2020).

3. Under a contract that was originally scheduled to expire in 2021, but which was extended for five years, the Department receives 16 MW (40%) of Vermont Wind's wind farm in northeast Vermont (Sheffield) through October 18, 2026. BED's 16 MW entitlement is expected to provide approximately 9% of BED's annual energy requirements.

4. The Department purchases energy from the Georgia Mountain Community Wind (GMCW) project, which began commercial operation on December 31, 2012. Pursuant to a 25-year contract, the Department receives 10MW (100%) entitlement from GMCW's wind farm in Milton/Georgia, Vermont. GMCW is expected to produce energy sufficient to meet approximately 8% of BED's annual energy needs.

5. Deliveries pursuant to a ten-year contract with Hancock Wind began in December 2016. Under the contract, the Department will receive 13.5 MW (26.5%) of Hancock's wind farm. It is expected to produce energy sufficient to meet approximately 11% of BED's annual energy needs.

6. Prior to 2017, BED received energy from long-term purchases from a number of small in-state resources under a state-mandated feed-in tariff program (called Standard Offer resources). Effective January 1, 2017, BED was exempted from purchasing energy from these high-priced resources (in recognition of its 100% renewable energy purchases). No power was received from Standard Offer Resources in either FY21 or FY22. BED expects this exemption to continue through at least December 31, 2023.

7. The Burlington City Council, the Vermont Public Utility Commission, and the voters of Burlington have approved a 23-year energy-only contract with Hydro-Quebec. Deliveries began (for the Department) in November 2015. Under the contract, the Department received 5 MW of contract energy for the period November 1, 2015 to October 31, 2020 and is now receiving a second (additional) 4 MW of contract energy for the period November 1, 2020 to October 31, 2038 (i.e., 9 MW in total). BED's entitlement is expected to provide 16% of BED's annual energy requirements at the 9 MW level.

9. In 2013, BED entered a long-term power agreement to purchase the output of a 2.5 MW solar generating facility located in Burlington (South Forty Solar). This facility came online in January of 2018 and provides the Department with VT Tier 2 RECs as well as energy and reduced capacity and transmission requirements.

10. In addition to South Forty Solar, the Department purchases the output from 7 small in-city solar projects under long-term agreements that amount to 414 kW.

11. In 2017, BED signed a two-year contract with Great River Hydro with deliveries beginning January 1, 2019. In 2019, this contract was extended for five additional years from 2021 through 2024. The Department receives 7.5 MW during 16 peak hours of each day, along with the associated RECs (that qualify as VT Tier I). This contract is sourced from one or more hydro facilities in the State of Vermont.

Energy and Capacity payments under these long-term power supply contracts were $13,884,484 and $13,317,777 for the years ended June 30, 2022 and 2021, respectively, with the increase from 2021 being largely due to the beginning of the additional 4 MW of contract energy from Hydro-Quebec and increased production from Vermont Wind. Budgeted commitments under these long-term contracts and long-term contracts approved and executed for future delivery periods total $69,144,498 for the 5-year period from July 1, 2022 to June 30, 2027.

Fiscal year	Budgeted commitments
2023	$ 15,399,469
2024	16,048,962
2025	15,396,546
2026	12,465,867
2027	9,833,654
	$ 69,144,498

The remainder of the Department's energy requirements (if any) are satisfied through short-term purchases including:

- Short-term purchases from market counterparties if necessary.
- Net exchange of energy through the Independent System Operator – New England power markets.

The costs of power purchased under these contracts are accounted for as purchased power expenses in the statements of revenues, expenses, and changes in net assets. The percentages of the Department's total energy sources were provided as follows:

	2022	2021
McNeil Generation and Gas Turbine	34 %	38 %
Winooski One	8	5
New York Power Authority	5	6
Vermont Electric Power Producers	—	0.1
Wind Production	25	24
Hydro-Quebec	15	13
Great River Hydro	12	12
Short-Term Purchase	—	—
In-City Solar	1	1
	100 %	99 %

Note: the percentages are relative to the Department's total available sources of energy rather than a percentage of requirements. Additionally, the Department sells RECs associated with much of the above generation and the above table should not be considered a representation of the Department's renewability. In both years, the sources of energy shown above exceeded the Department's annual energy requirements.

(12) Subsequent Events

On June 16, 2022, the Department filed with the PUC a request for a 3.95% rate increase. PUC approval of the rate filing is pending. As permitted under Vermont statue, the Department began charging its customers the 3.95% increase as a tariff adjustment for service rendered on/after August 1, 2022.

On August 31, 2022, the Department, through the City of Burlington, issued $2,650,000 in general obligation bonds, 2022 Series A, with an average coupon rate of 5.00%. These bonds were issued in accordance with the City Charter for the purpose of refunding the $3,000,000 Bond Anticipation Note (BAN), Series 2021, issued November 2, 2021. Accordingly, the BAN has been classified as a long-term obligation in the accompanying financial statements.

On September 15, 2022, the Department, through the City of Burlington, entered into a $3,000,000, Series 2022 general obligation bond anticipation note, maturing on September 15, 2023 and bearing interest at the fixed rate of 2.79%.

On October 2022, the City of Burlington engaged outside legal counsel to provide a determination of how the make-whole payment for IBEW retirees discussed in note 4) c) should be allocated to City departments. The counsel's determination is pending as of the date of these financial statements.